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Message Text

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42
ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 SPC-03 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

PA-04 PRS-01 USIA-15 ACDA-19 IO-14 DRC-01 FRB-02

COME-00 /194 W
---------- 056994
R 071535Z NOV 73
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC PRIORITY 2320
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L THY HAGUE 4895

PASS TREASURY AND FRB

E.O. 11652: GDS
TAGS: EFIN, NL
SUBJECT: AMBASSADOR'S CALL ON DUTCH FINANCE MINISTER

1. DURING AMBASSADOR GOULD'S INITIAL CALL ON MINFIN
DUISENBERG NOV 5 LATTER MADE FOLLOWING POINTS OF POSSIBLE
INTEREST TO ADDRESSEES.

2. DUISENBERG IS SKEPTICAL THAT JULY 31, 1974 DEADLINE FOR
C-20 DRAFT BLUEPRINT FOR NEW INTERNATIONAL MONETARY SYSTEM
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CAN BE MET BECAUSE HE DOES NOT SEE AT THIS TIME THAT NECESSARY

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DEGREE OF POLITICAL WILL TO REACH AGREEMENT HAS BEEN ACHIEVED.
IN PARTICULAR HE SEES NO GIVE IN US POSITION ON EITHER
CONVERTIBILITY OR ADJUSTMENT PROCESS. HE REASONS THAT AS
LONG AS US BOP REMAINS IN FUNDAMENTAL DISEQUILIBRIUM, US FEELS
ITSELF TO BE STRONG NEGOTIATING POSITION AND THEREFORE
LOOKS TO EUROPEAN "DEMANDEURS" FOR MORE CONCESSIONAL ATTITUDE.
IN CONTRAST TO VIEW WHICH HE SAYS IS HELD BY CENTRAL BANK
GOVERNOR ZIJLSTRA, HOWEVER, DUISENBERG DOES NOT
BELIEVE THAT IMPROVEMENT NOW BEING REGISTERED IN US BOP WILL
LEAD US TO BE MORE ACCOMMODATING.

3. ON ADJUSTMENT, DUISENBERG DOES NOT ACCEPT RESERVES AS
SOLE INDICATOR FOR POLICY CHANGES. IN NETHERLANDS, HE SAYS,
RESERVES CAN FLUCTUATE ENORMOUSLY IN VERY BRIEF PERIODS WITH-
OUT DENOTING FUNDAMENTAL DISEQUILIBRIUM. WHILE HE THOUGHT
HE DETECTED SOME GIVE IN US POSITION ON RESERVE INDICATOR
LAST JULY HE GOT IMPRESSION THAT WE HAD RECEDED FROM THAT
POSITION AT NAIROBI.

4. DUISENBERG ALSO SEES BASIC DIFFERENCE BETWEEN US AND DUTCH
APPROACHES ON CONVERTIBILITY. HIS UNDERSTANDING OF US POSITION
IS THAT WE ADVOCATE BILATERAL SOLUTIONS WHICH IN EFFECT MAKE
CONVERTIBILITY VOLUNTARY WHEREAS GON AND OTHER EUROPEANS SEEK
MANDATORY SYSTEM TO GIVE ACCUMULATORS OF CURRENCIES ASSURANCES
THAT THEY CAN CONVERT THESE AS THEY WISH. WITHOUT THIS
ASSURANCE HE SAID "MONEY HAS NO MEANING".. ON CONSOLIDATION
DUESBERG SENSES SOME MOTION ON BOTH SIDES TOWARD FREER USE
OF GOLD. HE SUGGESTS THAT PERHAPS 2 1/2 BILLION DOLLARS WORTH
OF GOLD(I.E. 10 PERCENT OF APPROXIMATE CURRENT DOLLAR VALUE
OF US GOLD STOCKS) COULD BE RELEASED BY US AND MATCHED BY EUROPE TO
START SOPPING UP EURODOLLARS.

5. DUISENBERG SAID FRANKLY THAT HE SEES NO REAL ANSWER TO
CONTROL OF SHORT-TERM CAPITAL FLOWS, PARTICULARLY IN VIEW OF
RISING OPEC LIQUIDITY. HE DOES NOT AGREE WITH US AGRGUMENT
THAT IMPROVEMENT IN US BOP WILL ABSORB THESE FUNDS WITHIN
REASONABLE PERIOD OF TIME.

6. SOMEWHAT SURPRISINGLY DUISENBERG ECHOED FRENCH VIEW
THAT IT IS "REALLY USELESS" TO PURSUE MTN UNTIL MONETARY
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REFORM HAS BEEN ACHIEVED. HE DID NOT SUGGEST, HOWEVER, THAT
GON PLANNED TO DRAG FEET IN MTN. IN RESPONSE TO QUESTION FROM
AMBASSADOR GOULD, DUISENBERG SAID THAT EXPANSION OF G-10 TO
C-20 HAD CREATED UNWIELDY FORUM BUT ADDED THAT RECENT TEN-
DENCY FOR "BIG FIVE" (FRANCE, GERMANY, UK, JAPAN, US) TO
RESOLVE MATTERS BY THEMSELVES WAS UNSATISFACTORY SOLUTION
FROM DUTCH STANDPOINT. HE SUGGESTED POSSIBILITY OF CREATING
NEW FORUM FROM OLD "GOLD POOL" COUNTRIES INCLUDING FRANCE.

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7. DUISNEBERG SAID THAT ALTHOUGH PRESENTLY STRONG DUTCH BOP SHOULD SOON BEGIN TO DETERIORATE. HE HAD FAVORED THE RECENT REVALUATION OF GUILDER IN ORDER TO BRING CURRENT ACCOUNT SURPLUS BELOW PRESENT RATE OF 4 PERCENT OF GNP AS PART OF HIS COUNTERINFLATIONARY EFFORT.

8. COMMENT: AMBASSADOR FOUND DUISENBERG ARTICULATE AND FORTHCOMING AND ANTICIPATES THAT OUR RELATIONS WITH HIM WILL PROVE FRANK AND PRODUCTIVE.
GOULD

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NNN

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